Government of Canada / Gouvernement du Canada **Department of Finance Canada** Canada

The Fiscal Monitor
A publication of the Department of Finance

Highlights

April and May 2017: budgetary surplus of $0.1 billion

For the first two months of the 2017-18 fiscal year (April and May), there was a budgetary surplus of $0.1 billion, compared to a surplus of $0.1 billion reported in the same period last year. By month, there was a deficit of $0.3 billion in April and a surplus of $0.4 billion in May.

For the two months combined, revenues increased by $2.3 billion, or 4.7 per cent, as increases in tax revenues and other revenues were partially offset by a decrease in Employment Insurance (EI) premium revenues. Program expenses were up $2.6 billion, or 6.0 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges decreased by $0.3 billion, or 7.1 per cent, largely reflecting lower Consumer Price Index adjustments on Real Return Bonds.

April and May 2017 budgetary results

There was a budgetary surplus of $0.1 billion in the April to May 2017 period, compared to a $0.1-billion surplus for the same period in the previous year.

Revenues increased by $2.3 billion, or 4.7 per cent, to $50.3 billion.

- Personal income tax revenues were up $0.8 billion, or 3.3 per cent.
- Corporate income tax revenues were up $0.5 billion, or 7.1 per cent.
- Non-resident income tax revenues were up $0.2 billion, or 15.9 per cent.
- Excise taxes and duties were up $1.2 billion, or 14.9 per cent. Within this component, Goods and Services Tax (GST) revenues were up $1.1 billion, or 20.5 per cent. Energy taxes were up $17 million, customs import duties were up $0.1 billion and other excise taxes and duties were down $5 million.
- EI premium revenues were down $0.5 billion, or 11.0 per cent.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues were up $0.2 billion, or 4.3 per cent, due mainly to an increase in Crown corporation revenues.

Program expenses increased by $2.6 billion, or 6.0 per cent, to $46.1 billion.

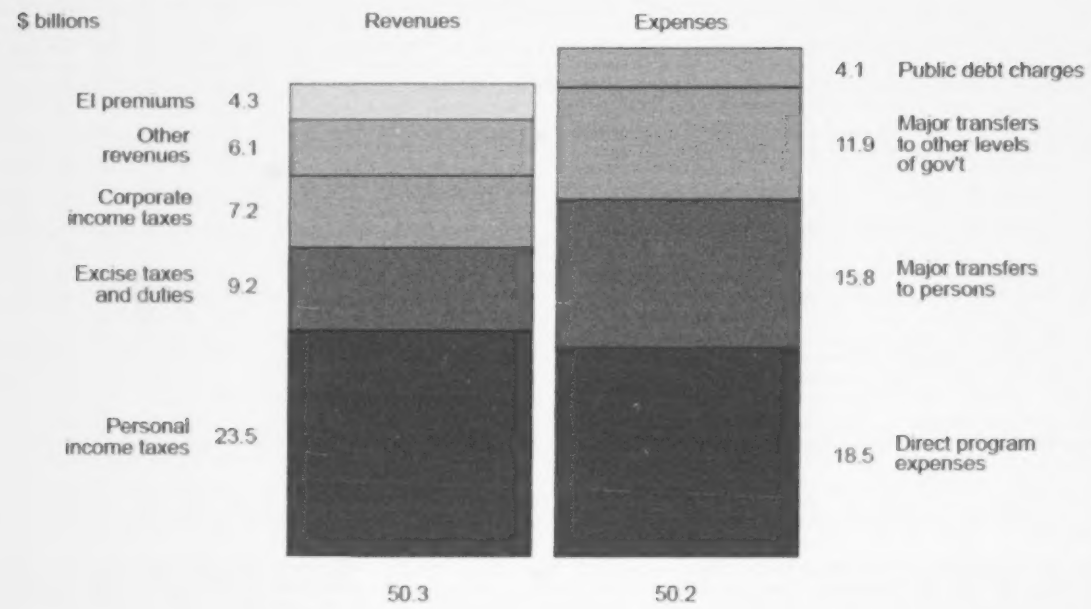
- Major transfers to persons, consisting of elderly benefits, EI benefits and children's benefits, increased by $1.3 billion, or 9.1 per cent. Elderly benefits increased by

$0.5 billion, or 6.0 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments decreased by $9 million, or 0.2 per cent. Children's benefits increased by $0.9 billion, or 28.3 per cent, reflecting the new Canada Child Benefit, which replaced the Canada Child Tax Benefit and the Universal Child Care Benefit as of July 2016.

- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal arrangements and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government increased by $0.3 billion, or 2.8 per cent, primarily reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses include transfer payments to individuals and other organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of departments and agencies, and expenses of Crown corporations. Direct program expenses were up $1.0 billion, or 5.5 per cent.
    - Transfer payments increased by $0.2 billion, or 4.1 per cent.
    - Other direct program expenses increased by $0.7 billion, or 6.1 per cent, reflecting an increase in Crown corporation expenses and an increase in pension and benefit costs based on the Government's latest actuarial valuations.

Public debt charges decreased by $0.3 billion, or 7.1 per cent, largely reflecting lower Consumer Price Index adjustments on Real Return Bonds.

Revenues and expenses (April 2017 to May 2017)



Note: Totals may not add due to rounding.

Financial requirement of $14.1 billion for April and May 2017

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary surplus of $0.1 billion and a requirement of $14.2 billion from non-budgetary transactions, there was a financial requirement of $14.1 billion for the April to May 2017 period, compared to a financial requirement of $8.5 billion from the same period the previous year.

Net financing activities up $22.8 billion

The government financed this financial requirement of $14.1 billion and increased cash balances by $8.7 billion by increasing unmatured debt by $22.8 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds and treasury bills. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of May 2017 stood at $45.6 billion, down $7.0 billion from their level at the end of May 2016.

Table 1
Summary statement of transactions
($ millions)

	April		May		April – May	
	2016	**2017**	**2016**	**2017**	**2016–17**	**2017–18**
Budgetary transactions						
Revenues	24,724	25,156	23,318	25,138	48,042	50,294
Expenses						
Program expenses	-21,959	-23,445	-21,575	-22,699	-43,534	-46,144
Public debt charges	-2,059	-2,020	-2,335	-2,062	-4,394	-4,082
Budgetary balance (deficit/surplus)	706	-309	-592	377	114	68
Non-budgetary transactions	-5,976	-13,601	-2,649	-590	-8,625	-14,191
Financial source/requirement	-5,270	-13,910	-3,241	-213	-8,511	-14,123
Net change in financing activities	11,545	14,428	11,721	8,396	23,266	22,824
Net change in cash balances	6,275	518	8,480	8,183	14,755	8,701
Cash balance at end of period					52,599	45,602

Notes: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2
Revenues

	April		May		April – May		
	2016	2017	2016	2017	2016 –17	2017 –18	Change
	($ millions)						(%)
Tax revenues							
Income taxes							
Personal income tax	12,730	12,698	9,990	10,780	22,720	23,478	3.3
Corporate income tax	2,882	3,016	3,822	4,165	6,704	7,181	7.1
Non-resident income tax	434	601	526	512	960	1,113	15.9
Total income tax	16,046	16,315	14,338	15,457	30,384	31,772	4.6
Excise taxes and duties							
Goods and Services Tax	2,598	3,130	2,838	3,422	5,436	6,552	20.5
Energy taxes	423	392	427	475	850	867	2.0
Customs import duties	412	422	403	459	815	881	8.1
Other excise taxes and duties	402	402	533	528	935	930	-0.5
Total excise taxes and duties	3,835	4,346	4,201	4,884	8,036	9,230	14.9
Total tax revenues	19,881	20,661	18,539	20,341	38,420	41,002	6.7
Employment Insurance premiums	2,505	2,240	2,379	2,109	4,884	4,349	-11.0
Other revenues	2,338	2,255	2,400	2,688	4,738	4,943	4.3
Total revenues	24,724	25,156	23,318	25,138	48,042	50,294	4.7

Note: Totals may not add due to rounding.

Table 3
Expenses

	April		May		April – May		
	2016	2017	2016	2017	2016 –17	2017 –18	Change
	($ millions)						(%)
Major transfers to persons							
Elderly benefits	3,842	4,078	3,938	4,166	7,780	8,244	6.0
Employment Insurance benefits	1,734	2,086	1,870	1,509	3,604	3,595	-0.2
Children's benefits	1,507	1,946	1,542	1,967	3,049	3,913	28.3
Total	7,083	8,110	7,350	7,642	14,433	15,752	9.1
Major transfers to other levels of government							
Support for health and other social programs							
Canada Health Transfer	3,005	3,096	3,006	3,096	6,011	6,192	3.0
Canada Social Transfer	1,113	1,145	1,112	1,146	2,225	2,291	3.0
Total	4,118	4,241	4,118	4,242	8,236	8,483	3.0
Fiscal arrangements and other transfers	2,057	2,112	2,056	2,110	4,113	4,222	2.7
Canada's cities and communities	0	0	0	0	0	0	n/a
Quebec Abatement	-382	-397	-381	-397	-763	-794	4.1
Total	5,793	5,956	5,793	5,955	11,586	11,911	2.8
Direct program expenses							
Transfer payments							
Agriculture and Agri-Food Canada	37	41	44	46	81	87	7.4

Employment and Social Development Canada	346	431	331	451	677	882	30.3
Global Affairs Canada	148	123	325	196	473	319	-32.6
Health Canada	469	585	258	231	727	816	12.2
Indigenous and Northern Affairs Canada	979	1,029	426	364	1,405	1,393	-0.9
Innovation, Science and Economic Development Canada	240	211	128	325	368	536	45.7
Other	1,069	847	643	787	1,712	1,634	-4.6
Total	3,288	3,267	2,155	2,400	5,443	5,667	4.1
Other direct program expenses							
Crown corporations	854	987	625	752	1,479	1,739	17.6
National Defence	1,506	1,606	1,853	1,798	3,359	3,404	1.3
All other departments and agencies	3,435	3,519	3,799	4,152	7,234	7,671	6.0
Total other direct program expenses	5,795	6,112	6,277	6,702	12,072	12,814	6.1
Total direct program expenses	9,083	9,379	8,432	9,102	17,515	18,481	5.5
Total program expenses	21,959	23,445	21,575	22,699	43,534	46,144	6.0
Public debt charges	2,059	2,020	2,335	2,062	4,394	4,082	-7.1
Total expenses	24,018	25,465	23,910	24,761	47,928	50,226	4.8

Note: Totals may not add due to rounding.

Table 4
The budgetary balance and financial source/requirement
($ millions)

	April		May		April – May	
	2016	**2017**	**2016**	**2017**	**2016–17**	**2017–18**
Budgetary balance (deficit/surplus)	706	-309	-592	377	114	68
Non-budgetary transactions						
Capital investment activities	-107	-183	-172	-281	-279	-464
Other investing activities	-684	-1,154	-689	-632	-1,373	-1,786
Pension and other accounts	115	-299	452	533	567	234
Other activities						
Accounts payable, receivables, accruals and allowances	-6,331	-7,094	2,123	-796	-4,208	-7,890
Foreign exchange activities	651	-5,271	-4,807	189	-4,156	-5,082
Amortization of tangible capital assets	380	400	444	397	824	797
Total other activities	-5,300	-11,965	-2,240	-210	-7,540	-12,175
Total non-budgetary transactions	-5,976	-13,601	-2,649	-590	-8,625	-14,191
Financial source/requirement	-5,270	-13,910	-3,241	-213	-8,511	-14,123

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities
($ millions)

	April		May		April – May	
	2016	2017	2016	2017	2016–17	2017–18
Financial source/requirement	-5,270	-13,910	-3,241	-213	-8,511	-14,123
Net increase (+)/decrease (-) in financing activities						
Unmatured debt transactions						
Canadian currency borrowings						
Marketable bonds	8,878	5,046	3,225	4,664	12,103	9,710
Treasury bills	4,800	6,100	4,400	4,300	9,200	10,400
Retail debt	12	-48	132	-98	144	-146
Total	13,690	11,098	7,757	8,866	21,447	19,964
Foreign currency borrowings	90	640	1,158	247	1,248	887
Total	13,780	11,738	8,915	9,113	22,695	20,851
Cross-currency swap revaluation	-2,175	2,790	2,579	-657	404	2,133
Unamortized discounts and premiums on market debt	-26	-61	244	-46	218	-107
Obligations related to capital leases and other unmatured debt	-34	-39	-17	-14	-51	-53
Net change in financing activities	11,545	14,428	11,721	8,396	23,266	22,824
Change in cash balance	6,275	518	8,480	8,183	14,755	8,701

Note: Totals may not add due to rounding.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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